

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Rawson Memorial Library	County Tuscola
Fiscal Year End 12-31-05	Opinion Date 05-2-06	Date Audit Report Submitted to State 6-12-06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

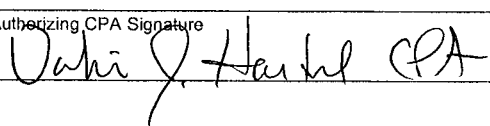
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**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input checked="" type="checkbox"/>	None prepared		
Certified Public Accountant (Firm Name) Anderson, Tuckey, Bernhardt & Doran, P.C.		Telephone Number 989-673-3137		
Street Address 715 East Frank Street		City Caro	State MI	Zip 48723
Authorizing CPA Signature 		Printed Name Valerie J. Hartel, CPA		License Number A256388

**RAWSON MEMORIAL LIBRARY**

Cass City, Michigan

**REPORT ON FINANCIAL STATEMENTS**

As of and for the Year Ended

December 31, 2005

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# ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants



Gary R. Anderson, CPA  
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May 2, 2006

## INDEPENDENT AUDITOR'S REPORT

Rawson Memorial Library  
Cass City, MI 48726

Dear Board Members:

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Rawson Memorial Library, Cass City, Michigan, as of and for the year ended December 31, 2005, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Rawson Memorial Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the government activities, each major fund, and the aggregate remaining fund information of the Rawson Memorial Library as of December 31, 2005 and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages I through IV and pages 12 and 13, are not a required part of the basic financial statements but are required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Rawson Memorial Library's basic financial statements. The accompanying additional information such as the combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The relevant additional information, such as combining and individual nonmajor fund statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Anderson, Tuckey, Bernhardt & Doran, P.C.*

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
RAWSON MEMORIAL LIBRARY  
FISCAL YEAR ENDING DECEMBER 2005**

This discussion and analysis of the Rawson Memorial District Library's financial performance provides an overview of the Library's financial activities for the fiscal year ended December 31, 2005 and comparative data from 2004. Please read it in conjunction with the Library's financial statements.

**USING THIS ANNUAL REPORT**

This annual report consists of three parts-management's discussion and analysis, the basic financial statements, and the required supplementary information. The basic financial statements include information that presents two different views of the Library.

The first, second and third column of the financial statements include information on the Library's General Fund and Special Revenue Funds under the modified accrual method. These Fund Financial Statements focus on the current financial resources and provide a more detailed view about the accountability of the Library's sources and uses of funds.

The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full-accrual method.

The Government-Wide Financial Statement columns provide both long-term and short-term information about the Library's overall financial status. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. These statements tell how these services were financed in the short term as well as what remain for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

## CONDENSED FINANCIAL INFORMATION

The table below shows key financial information in a condensed format:

<b>ASSETS</b>	<b>2004</b>	<b>2005</b>
Current assets	\$ 777,081	779,457
Capital assets	<u>\$ 679,293</u>	<u>656,968</u>
Total assets	\$ 1,456,374	1,436,425
 <b>LIABILITIES</b>		
Current liabilities	\$ 25,252	14,558
Long-term liabilities	<u>\$ 6,314</u>	<u>7,205</u>
Total liabilities	\$ 31,566	21,763
 <b>NET ASSETS</b>		
Invested in capital assets	\$ 679,293	656,968
Unrestricted	<u>\$ 745,515</u>	<u>757,694</u>
Total net assets	\$ 1,424,808	1,414,662
 <b>REVENUE</b>		
Property taxes	\$ 162,393	167,839
Gifts & bequests	\$ 145,165	18,868
Penal fines	\$ 57,764	40,273
Other	<u>\$ 49,059</u>	<u>64,801</u>
Total revenue	\$ 414,381	291,781
 <b>EXPENSES</b>		
Personal service	\$ 174,088	181,901
Other	<u>\$ 102,151</u>	<u>120,026</u>
Total expenses	\$ 276,239	301,927
 <b>CHANGE IN NET ASSETS</b>	\$ 138,142	<10,146>
 <b>NET ASSETS, JANUARY 1</b>	<u>\$ 1,286,666</u>	<u>1,424,808</u>
 <b>NET ASSETS, DECEMBER 31</b>	<u>\$ 1,424,808</u>	<u>1,414,662</u>

## **THE LIBRARY AS A WHOLE**

- The Library is reporting financial statements this year that meet the requirements of GASB Number 34. The primary change requires reporting all assets at full cost less accumulated depreciation.
- As a result of this change, the Library reports net assets of \$ 1,414,662 this year on a full accrual basis, as compared to \$ 764,899 on the modified accrual basis of accounting.
- The Library's primary sources of revenue were from property taxes and penal fines for the year ended December 31, 2005. Total tax collections were \$167,839 representing approximately 62 percent of total revenue for the library as a whole. Total penal fines were \$40,273 representing approximately 15 percent of total revenue for the library as a whole.
- Salaries and fringe benefits are the largest overall expenditure of the Library. For the year ended December 31, 2005, this expenditure was \$178,790 representing 65 percent of the total expenditures for the library as a whole.
- Depreciation expense totaled \$48,110 or 18 percent of the Library's total expenses.
- Total expenditures for the entire year under the modified accrual method of accounting were \$278,711.

## **THE LIBRARY'S FUNDS**

The budgetary analysis of the General Fund is included on pages 12 and 13, which includes revenues and expenditures, excess of revenue over expenditures, other financing sources and fund balance. The fund balance of the General Fund decreased during the current year by <\$32,676>. This represents expenses greater than revenue. The fund balance of the Endowment Fund increased during the current year by \$49,619. This represents unspent revenue greater than expenses.

## **LIBRARY BUDGETARY HIGHLIGHTS**

Over the course of the year, the Library Board amended the General Fund and Endowment Fund's budget. The major variance was in penal fines.

## **CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY**

At the end of the fiscal year, the Library had \$656,968 (net of accumulated depreciation) invested in buildings, furniture, equipment, books and materials. During the year, \$17,675 was spent on books and new collection items and \$8,110 was spent on equipment.

Also during the year Endowment CD's were cashed in and re-invested due to either a more favorable rate or to comply with the FDIC \$100,000.00 limit.

### **NEXT YEAR'S MILLAGE RATES**

For fiscal year 2005, the Library had two millages: .7455 expiring in 2012, and .3479 that expired in December 2005. For fiscal year 2006 the rate will be the same at .7455 and the Board will decide whether to pursue the .35 millage renewal.

### **ECONOMIC FACTORS**

The Library's major sources of funding continue to be property taxes and penal fines from the county. In April 2005, it was brought to the attention of the libraries in Tuscola County that an overpayment had occurred in December 2002. Penal fines for September 2002 were paid twice. The total of this error was \$39,344.11, with Rawson's portion being \$4,447.75. Rawson was given the option to repay in one lump sum or to spread the payments out over a six-month period. The Library Board felt the six-month option of \$741.29 was the best alternative. The County Treasurer's Office took this payment amount out each month from the rest of our regular penal fine payments.

### **REQUEST FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Library's finances and to show the Library's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Kate Van Auken, Library Director, Rawson Memorial Library, 6495 Pine Street, Cass City, MI 48726.



## **BASIC FINANCIAL STATEMENTS**

**RAWSON MEMORIAL LIBRARY**  
**COMBINED BALANCE SHEET -**  
**ALL FUND TYPES AND ACCOUNT GROUP**  
December 31, 2005

	<b>GOVERNMENTAL FUND TYPES</b>		
	<b>General Fund</b>	<b>Endowment Fund</b>	<b>Other Nonmajor Governmental Funds</b>
<b><u>ASSETS</u></b>			
CURRENT ASSETS:			
Cash on hand & in bank	\$ 143,799		\$ 6,448
Certificates of deposits	40,000	\$ 583,000	
Due from other funds	6,210		
Total current assets	<u>190,009</u>	<u>583,000</u>	<u>6,448</u>
CAPITAL ASSETS:			
Capital assets, net of accumulated depreciation			
Total capital assets	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 190,009</u></b>	<b><u>\$ 583,000</u></b>	<b><u>\$ 6,448</u></b>
<b><u>LIABILITIES</u></b>			
CURRENT LIABILITIES:			
Deferred revenue	\$ 1,998		
Due to other funds			\$ 6,210
Due to trust and agency fund	6,350		
Total Current Liabilities	<u>8,348</u>	<u>-</u>	<u>6,210</u>
LONG-TERM LIABILITIES:			
Compensated absences			
Total long-term liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<b><u>8,348</u></b>	<b><u>-</u></b>	<b><u>6,210</u></b>
<b><u>FUND BALANCE</u></b>			
Unreserved	181,661		
Reserved		\$ 583,000	238
Investment in general fixed assets			
<b>TOTAL FUND BALANCE</b>	<b><u>181,661</u></b>	<b><u>583,000</u></b>	<b><u>238</u></b>
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<b><u>\$ 190,009</u></b>	<b><u>\$ 583,000</u></b>	<b><u>\$ 6,448</u></b>
<b><u>NET ASSETS</u></b>			
Invested in capital assets- net of related debt			
Unrestricted			
<b>TOTAL NET ASSETS</b>			

The accompanying notes are an integral part of the financial statements.

Total - Modified - Accrual Basis	GASB No. 34 Adjustments	LIBRARY AS A WHOLE Statement of Net Assets
\$ 150,247 623,000 6,210 <u>779,457</u>	(6,210) <u>-</u>	\$ 150,247 623,000 <u>-</u> 773,247
<u>-</u>	\$ 656,968 656,968	656,968 656,968
<u>\$ 779,457</u>	<u>\$ 656,968</u>	<u>\$ 1,430,215</u>
\$ 1,998 6,210 6,350 <u>14,558</u>	(6,210) <u>(6,210)</u>	\$ 1,998 <u>-</u> 6,350 8,348
<u>-</u>	\$ 7,205 7,205	7,205 7,205
<u>14,558</u>	<u>995</u>	<u>15,553</u>
181,661 583,238 <u>-</u>	(181,661) (583,238) <u>-</u>	<u>-</u> <u>-</u> <u>-</u>
<u>764,899</u>	<u>(764,899)</u>	<u>-</u>
<u>\$ 779,457</u>		
	656,968 757,694	656,968 757,694
	<u>\$ 1,414,662</u>	<u>\$ 1,414,662</u>

**RAWSON MEMORIAL LIBRARY**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	GOVERNMENTAL FUND TYPES		
	General Fund	Endowment Fund	Other Nonmajor Governmental Funds
REVENUE:			
Taxes	\$ 167,839		
Penal fines	40,273		
State aid	7,469		
Gifts and bequests	18,868		
Interest income	3,082	\$ 21,187	\$ 195
Charges for service	13,764		
Book fines	4,306		
Loss on CD		(678)	
Newspaper project	15,203		
Other revenue	273		
TOTAL REVENUES	<u>271,077</u>	<u>20,509</u>	<u>195</u>
EXPENDITURES:			
Personal services	178,790		
Books and periodicals	24,481		
Supplies	6,007		
Utilities & phone	13,567		
Professional services	2,220		
Maintenance	9,585		
Memberships	3,934		
Equipment & improvements	4,500		4,068
Copier expense	7,308		
Insurance	5,901		
Depreciation			
TIFA (Village)	1,449		
Newspaper project	15,203		
Other expenditures	1,698		-
TOTAL EXPENDITURES	<u>274,643</u>	<u>-</u>	<u>4,068</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(3,566)</u>	<u>20,509</u>	<u>(3,873)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in		29,110	
Transfers out	(29,110)		
TOTAL OTHER FINANCING SOURCES (USES)	<u>(29,110)</u>	<u>29,110</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(32,676)</u>	<u>49,619</u>	<u>(3,873)</u>
FUND BALANCE JANUARY 1, 2005	<u>214,337</u>	<u>533,381</u>	<u>4,111</u>
FUND BALANCE DECEMBER 31, 2005	<u>\$ 181,661</u>	<u>\$ 583,000</u>	<u>\$ 238</u>

The accompanying notes are an integral part of these financial statements.

<b>Total - Modified - Accrual Basis</b>	<b>GASB No. 34 Adjustments</b>	<b>LIBRARY AS A WHOLE Statement of Activities</b>
\$ 167,839		\$ 167,839
40,273		40,273
7,469		7,469
18,868		18,868
24,464		24,464
13,764		13,764
4,306		4,306
(678)		(678)
15,203		15,203
273		273
<u>291,781</u>	<u>-</u>	<u>291,781</u>
178,790	\$ 891	179,681
24,481	(17,675)	6,806
6,007		6,007
13,567		13,567
2,220		2,220
9,585		9,585
3,934		3,934
8,568	(8,110)	458
7,308		7,308
5,901		5,901
-	48,110	48,110
1,449		1,449
15,203		15,203
1,698		1,698
<u>278,711</u>	<u>23,216</u>	<u>301,927</u>
<u>13,070</u>	<u>(23,216)</u>	<u>(10,146)</u>
29,110	(29,110)	-
(29,110)	29,110	-
<u>-</u>	<u>-</u>	<u>-</u>
13,070	(23,216)	(10,146)
<u>751,829</u>	<u>672,979</u>	<u>1,424,808</u>
<u>\$ 764,899</u>	<u>\$ 649,763</u>	<u>\$ 1,414,662</u>

# **RAWSON MEMORIAL LIBRARY**

## **STATEMENT OF CHANGES IN ASSETS AND LIABILITIES ALL TRUST AND AGENCY FUNDS December 31, 2005**

	<b>LITERACY COUNCIL</b>		
	<b>BALANCE JANUARY 1, 2005</b>	<b>ADDITIONS</b>	<b>DEDUCTIONS</b>
			<b>BALANCE DECEMBER 31, 2005</b>
<b><u>ASSETS</u></b>			
Due from other funds	\$ 5,844	\$ 2,132	\$ 1,626
<b>TOTAL ASSETS</b>	<b>\$ 5,844</b>	<b>\$ 2,132</b>	<b>\$ 1,626</b>
<b><u>LIABILITIES</u></b>			
Due to other Agencies	\$ 5,844	\$ 2,132	\$ 1,626
<b>TOTAL LIABILITIES</b>	<b>\$ 5,844</b>	<b>\$ 2,132</b>	<b>\$ 1,626</b>

The accompanying notes are an integral part of these financial statements.

**RAWSON MEMORIAL LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

Rawson Memorial Library is a District Library organized under Section 6, Public Act 24 of 1989, located in Cass City, Michigan. The participating municipalities include Elkland Township, Village of Cass City, Novesta Township and Elmwood Township. The District Library Organizational Plan was dated December 6, 1989.

The District Library will be governed by a board consisting of eight appointed board members and serves the geographical areas of the municipal members.

The major accounting principles and practices followed by the Library are presented below to assist the reader in understanding the financial statements and the accompanying format of the financial statements for all funds presented in conformity with generally accepted accounting principles applied to governmental units.

**BASIS OF ACCOUNTING:**

In evaluating how to define the Library, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, currently GASB Statement #14, *The Financial Reporting Entity*.

Based upon the application of these criteria, the basic financial statements of the Rawson Memorial Library contain all the funds and account groups controlled by the District's Board as no other entity meets the criteria to be considered a blended component unit or a discretely presented component of the Library nor is the Library a component unit of another entity.

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION:**

The Library's basic financial statements include both the Library as a Whole and its individual fund financial statements.

**Library as a Whole Financial Statements**

The Library as a Whole financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting, which is described below.

Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The statement of activities includes depreciation on long-term assets and eliminates capital outlay expense.

As a general rule, the effect of interfund activity has been eliminated from the library-wide financial statements.

**Fund Financial Statements**

The Library's individual fund financial statements are reported using the current financial resources measurement focus and the modified-accrual basis of accounting, which is described below.

**RAWSON MEMORIAL LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):**

**Fund Financial Statements (Continued):**

Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual – that is, when they become both measurable and available to finance expenditures of the fiscal period. All other revenue items are considered to be available only when cash is received by the Library.

The Library reports the following governmental funds:

*General Fund* - The General Fund is the Library's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

*Special Revenue Funds* - The Capital Improvement Fund and the Endowment Fund are utilized to account for proceeds of specific revenue sources that are legally or board restricted to expenditures. The Endowment fund was established May 15, 1990. The income from this fund will be transferred to the general fund for operating purposes. Capital from this fund can be transferred by a two-thirds majority vote of the entire library board. The investment of the fund will be at the discretion of the library board.

*Trust and Agency Funds* - Trust and Agency Funds are used to account for assets held by the Library in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds.

**ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY:**

**Cash and Investments** – The Library considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Investments are recorded at fair value.

**Receivables and Payables** – In general, outstanding balances between funds are reported as "due to/from other funds."

**Property Taxes** – The property tax is levied each December 1 on the assessed valuation of the property located in the Townships. Rawson Memorial receives the collected portion of the property taxes in full from the local townships and all delinquent taxes are handled through the county. The Library tax revenues are recognized in the fiscal year following the December 1 levy date. The Library levied 1.0934 mills on an SEV of \$184,257,910 on all property within the district. Two millage proposals were passed on August 6, 2002. The first is a millage levy of .75 mills for the next 10 years, 2003 to 2012; the other millage is a levy of .35 mills for 4 years from 2002 to 2005. These mills will be levied by the Library as of December 1, 2003 for the .35 mills and as of December 1, 2004 for the .75 mills. Both were reduced by the Headlee rollback.

**Capital Assets** – Capital assets are defined by the Library as assets other than technology related with an initial cost of more than \$2,000 and an estimated useful life in excess of one year. Capital assets for technology related equipment used an acquisition cost of \$1,000 or more and a useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.



**RAWSON MEMORIAL LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):**

**Capital Assets (Continued):**

Buildings, furniture and equipment, and library books, periodicals, and videos are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	7 - 50 years
Furniture and equipment	5 - 20 years
Library books and videos	5 years

**Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose.

**Use of Estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

**NOTE 2 – RECONCILIATION OF THE LIBRARY AS A WHOLE AND THE GOVERNMENTAL FUNDS FINANCIAL STATEMENTS:**

Total fund balances and the net change in fund balances of the Library's individual funds differ from net assets and change in net assets of the Library as a Whole reported in the statement of net assets and statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and statement of activities versus the current focus of the statement of the individual governmental funds' balance sheet and statement of revenue, expenditures and change in fund balance. The following is a reconciliation of fund balances to net assets and the net change in fund balances to the net change in net assets:

<b>Total Fund Balance – Modified-accrual Basis</b>	<b>\$ 764,899</b>
Amounts reported in the statement of net assets are different because:	
Capital assets are not financial resources and are not reported in the funds	656,968
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(7,205)
<b>Total Net Assets – Full-accrual Basis</b>	<b><u>\$1,414,662</u></b>

**RAWSON MEMORIAL LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

**NOTE 2 – RECONCILIATION OF THE LIBRARY AS A WHOLE AND THE GOVERNMENTAL FUNDS FINANCIAL STATEMENTS (Continued):**

<b>Net Change in Fund Balances – Modified-accrual Basis</b>	<b>\$13,070</b>
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Amounts reported in the statement of revenues, expenditures, and changes in fund balances are different because:

Governmental funds report capital outlay as expenditures in the statement of activities; these costs are allocated over their estimated useful lives as depreciation:

Library books and videos	17,675
Equipment & Improvements	8,110
Depreciation expense	(48,110)

Amounts accrued for compensated absences are not reflected as expenses in the fund statements	(\$891)
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<b>Change in Net Assets – Full-accrual Basis</b>	<b><u>(\$10,146)</u></b>
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**NOTE 3 - DEFINED CONTRIBUTION PENSION PLAN:**

The Library established a Simplified Employee Pension Plan during 1984, which covers all qualifying employees of the Library.

Under the plan, the Library contributes an amount equal to ten (10%) percent of the qualifying employee's wages to the plan on behalf of the employee.

All amounts contributed are immediately and fully vested with the employee. Total contributions under the plan were \$14,085 during 2005.

**NOTE 4 - BUDGETS AND BUDGETARY ACCOUNTING:**

Rawson Memorial Library adopts a budget for the General Fund and Special Revenue Funds just prior to the beginning of the year. The budget is adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts as shown in the financial statements are as originally adopted or as amended by the Board of Trustees. All annual appropriations lapse at fiscal year-end. The Library does not utilize encumbrance accounting.

**NOTE 5 - DEPOSITS AND INVESTMENTS:**

**Deposits:**

At year-end, the bank balances were \$781,012. The carrying amount of the Library's deposits was \$773,247. Of the balance \$738,183 was covered by federal depository insurance. All Library deposits are uncollateralized.

**RAWSON MEMORIAL LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

**NOTE 5 - DEPOSITS AND INVESTMENTS (Continued):**

**Investments:**

State statutes authorize the Library to invest in obligations of the United States, or agencies and instrumentalities of the U.S., commercial paper rated at the time of purchase within the top two classifications by at least two of the four rating agencies, certificates of deposits, repurchase agreements, banker's acceptances, and mutual funds.

The Library's investments are categorized below to give an indication of the level of risk assumed at year ended. Category 1 includes investments that are insured or registered or for which the securities are held by the Library or its agent in the Library's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Library's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department but not in the Library's name. The Library held no Category 1, 2 & 3 investments during 2005. Additional disclosures required by GASB 40 are not included in the accompanying financial statements.

**NOTE 6 - CHANGES IN CAPITAL ASSETS:**

The adjustments column is to adjust prior year balances to the December 31, 2005 actual in accordance with new capitalization policy. A summary of changes in general fixed assets follows:

	<b>BALANCE JANUARY 1, 2005</b>	<b>ADDITIONS</b>	<b>ADJUSTMENTS</b>	<b>BALANCE DECEMBER 31, 2005</b>
Land	\$ 41,037			\$ 41,037
Buildings	722,618			722,618
Computer Equipment	42,966	\$ 8,110	\$ (2,870)	48,206
Library Books	138,041	17,675	(30,074)	125,642
Machinery & Equipment	9,652			9,652
	954,314	25,785	(32,944)	947,155
Accumulated Depreciation	(275,021)	(48,110)	32,944	(290,187)
Net Capital Assets	<u>\$679,293</u>	<u>\$(22,325)</u>	<u>\$ -</u>	<u>\$656,968</u>

**NOTE 7 - RISK MANAGEMENT:**

The Library is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Library carries commercial insurance to cover any losses that may result from the above described activities.

**NOTE 8 - LEASES:**

The Library leases a color copier under an operating lease agreement that expires in 2007. Lease expense amounted to \$4,771. At December 31, 2005, future lease payments under such leases are as follows:

<u>December 31</u>	
2006	4,404
2007	2,202

**RAWSON MEMORIAL LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

**NOTE 9 – INTERFUND RECEIVABLES AND PAYABLES:**

	<b><u>INTERFUND RECEIVABLE</u></b>	<b><u>INTERFUND PAYABLE</u></b>
General Fund	\$ 6,210	\$ 6,350
Capital Projects Fund	0	6,210
Agency Fund	<u>6,350</u>	<u>0</u>
Total	<u>\$12,560</u>	<u>\$12,560</u>

**NOTE 10- TRANSFERS:**

The general fund transferred \$29,110 to the endowment fund during the current fiscal year.

**NOTE 11 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS:**

P.A. 621 OF 1978, section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Rawson Memorial Library's actual and budgeted expenditures have been shown on a line item basis. The approved budgets of the library have also been adopted to the line item level.

During the year ended December 31, 2005, the library incurred expenditures in certain budgetary funds that were in excess of the amounts appropriated, as follows:

<b><u>Fund</u></b>	<b><u>Total Appropriation</u></b>	<b><u>Amount of Expenditure</u></b>	<b><u>Budget Variance</u></b>
General Fund			
Transfer to Endowment	\$0	\$29,110	\$29,110

## REQUIRED SUPPLEMENTARY INFORMATION

**RAWSON MEMORIAL LIBRARY**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - BUDGET (GAAP) AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>BUDGET</b>			<b>VARIABLE- FAVORABLE (UNFAVORABLE)</b>
	<b>ORIGINAL</b>	<b>FINAL</b>	<b>ACTUAL</b>	
<b>REVENUE:</b>				
Taxes	\$ 156,000	\$ 165,000	\$ 167,839	\$ 2,839
Penal fines	45,000	40,250	40,273	23
State aid	7,000	7,470	7,469	(1)
Gifts and bequests	15,000	17,000	18,868	1,868
Interest income	1,900	3,050	3,082	32
Charges for service	14,200	13,665	13,764	99
Book fines	4,000	4,300	4,306	6
Newspaper project	17,000	15,210	15,203	(7)
Other revenues	100	270	273	3
<b>TOTAL REVENUES</b>	<b>260,200</b>	<b>266,215</b>	<b>271,077</b>	<b>4,862</b>
<b>EXPENDITURES:</b>				
Salaries	142,000	148,700	149,226	(526)
FICA	11,000	11,500	11,416	84
Retirement	13,600	13,900	14,085	(185)
Health Insurance	4,000	4,100	4,063	37
Books and periodicals, etc.	37,780	25,960	24,481	1,479
Supplies	6,400	6,220	6,007	213
Utilities & phone	13,220	13,816	13,567	249
Professional services	2,100	2,225	2,220	5
Maintenance	9,000	9,750	9,585	165
Memberships	4,400	3,990	3,934	56
Equipment & improvements	4,000	5,000	4,500	500
Copier expense	6,500	7,000	7,308	(308)
Insurance	5,500	5,900	5,901	(1)
TIFA (Village)	1,400	1,450	1,449	1
Newspaper project	17,000	15,210	15,203	7
Other expenditures	3,500	1,750	1,698	52
<b>TOTAL EXPENDITURES</b>	<b>281,400</b>	<b>276,471</b>	<b>274,643</b>	<b>1,828</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(21,200)</b>	<b>(10,256)</b>	<b>(3,566)</b>	<b>6,690</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	21,200	22,000	-	(22,000)
Transfers out			(29,110)	(29,110)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>21,200</b>	<b>22,000</b>	<b>(29,110)</b>	<b>(51,110)</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>\$ -</b>	<b>\$ 11,744</b>	<b>(32,676)</b>	<b>\$ (44,420)</b>
<b>FUND BALANCE JANUARY 1, 2005</b>			<b>214,337</b>	
<b>FUND BALANCE DECEMBER 31, 2005</b>			<b>\$ 181,661</b>	

See the accompanying notes.

**RAWSON MEMORIAL LIBRARY**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - BUDGET (GAAP) AND ACTUAL**  
**ENDOWMENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>BUDGET</b>		<b>ACTUAL</b>	<b>VARIABLE- FAVORABLE (UNFAVORABLE)</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		
REVENUE:				
Interest income	\$ 21,200	\$ 22,000	\$ 21,187	\$ (813)
Loss on CD			\$ (678)	\$ (678)
Gifts and bequests				-
TOTAL REVENUES	<u>21,200</u>	<u>22,000</u>	<u>20,509</u>	<u>(1,491)</u>
EXPENDITURES:				
Equipment				-
Miscellaneous				-
TOTAL EXPENDITURES		<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>21,200</u>	<u>22,000</u>	<u>20,509</u>	<u>(1,491)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in			29,110	29,110
Transfers out	<u>(21,200)</u>	<u>(22,000)</u>	<u>-</u>	<u>22,000</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(21,200)</u>	<u>(22,000)</u>	<u>29,110</u>	<u>51,110</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ -</u>	<u>\$ -</u>	<u>49,619</u>	<u>\$ 49,619</u>
FUND BALANCE JANUARY 1, 2005			<u>533,381</u>	
FUND BALANCE DECEMBER 31, 2005			<u>\$ 583,000</u>	

See the accompanying notes.

## **SUPPLEMENTARY INFORMATION**



# **RAWSON MEMORIAL LIBRARY**

## **COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS**

December 31, 2005

	<u>ENDOWMENT FUND</u>	<u>CAPITAL IMPROVEMENT FUND</u>	<u>TOTALS</u>
<b><u>ASSETS</u></b>			
Cash on hand & in banks		\$ 6,448	\$ 6,448
Certificates of deposits	\$ 583,000		583,000
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 583,000</u></b>	<b><u>\$ 6,448</u></b>	<b><u>\$ 589,448</u></b>
<b><u>LIABILITIES &amp; FUND BALANCE</u></b>			
<b><u>LIABILITIES</u></b>			
Due to other funds		\$ 6,210	\$ 6,210
<b><u>FUND BALANCE</u></b>			
Reserved	\$ 583,000	238	583,238
<b><u>TOTAL LIABILITIES AND FUND BALANCE</u></b>	<b><u>\$ 583,000</u></b>	<b><u>\$ 6,448</u></b>	<b><u>\$ 589,448</u></b>

See the accompanying notes.

# **RAWSON MEMORIAL LIBRARY**

## **COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - SPECIAL REVENUE FUNDS December 31, 2005**

	<u>ENDOWMENT FUND</u>	<u>CAPITAL IMPROVEMENT FUND</u>	<u>TOTAL</u>	<u>BUDGET TOTAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUES:					
Interest income	\$ 21,187	\$ 195	\$ 21,382	\$ 26,070	\$ (4,688)
Loss on CD	(678)		(678)		(678)
Gifts and bequests			-		-
<b>TOTAL REVENUES</b>	<u>20,509</u>	<u>195</u>	<u>20,704</u>	<u>26,070</u>	<u>(5,366)</u>
EXPENDITURES:					
Equipment		4,068	4,068	4,070	2
Miscellaneous			-	-	-
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>4,068</u>	<u>4,068</u>	<u>4,070</u>	<u>2</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>20,509</u>	<u>(3,873)</u>	<u>16,636</u>	<u>22,000</u>	<u>(5,364)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	29,110		29,110		29,110
Transfers out			-	(22,000)	22,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>29,110</u>	<u>-</u>	<u>29,110</u>	<u>(22,000)</u>	<u>51,110</u>
EXCESS OF REVENUES & OTHER SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	<u>49,619</u>	<u>(3,873)</u>	<u>45,746</u>	<u>-</u>	<u>45,746</u>
FUND BALANCE JANUARY 1, 2005	<u>533,381</u>	<u>4,111</u>	<u>537,492</u>	<u>537,492</u>	<u>-</u>
<b>FUND BALANCE DECEMBER 31, 2005</b>	<u><b>\$ 583,000</b></u>	<u><b>\$ 238</b></u>	<u><b>\$ 583,238</b></u>	<u><b>\$ 537,492</b></u>	<u><b>\$ 45,746</b></u>

See the accompanying notes.

**ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.**  
Certified Public Accountants



Gary R. Anderson, CPA  
Jerry J. Bernhardt, CPA  
Thomas B. Doran, CPA

May 2, 2006

Robert L. Tuckey, CPA  
Valerie Jamieson Hartel, CPA  
Jamie L. Peasley, CPA

To the Board of Directors  
Rawson Memorial Library  
Cass City MI 48726

In planning and performing our audit of the financial statements of Rawson Memorial Library for the year ended December 31, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The comments and suggestions regarding those matters follow. This letter does not affect our report dated May 2, 2006, on the financial statements of Rawson Memorial Library.

**Endowment Fund**

The Library has not updated or reviewed their policy related to the Endowment Fund in a few years. It would be good to review this to assure it still meets with the board's expectations and that investments are managed in accordance with the Library's investment policy. Under the current policy the Library is to transfer interest earned in the Endowment Fund to the General Fund. The board also needs to approve transfers to this fund from General Fund. This approval needs to be evident in the board minutes. The board also needs to budget for transfers to/from the Endowment fund in both the Endowment and General Fund's annual budget.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various library personel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of the Rawson Memorial Library, management and others within the administration and is not intended to be and should not be used by anyone other than these specified parties

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Sincerely,

*Anderson, Tuckey, Bernhardt & Doran, P.C.*

**ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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